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Israel

Citrus Annual

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Report Highlights:

Total citrus production fell to 691,000 mt in Israel's driest season in the last sixty years. Fresh exports, at 258,000 mt were 2.2 percent below the MY 1998 volume. Naxines hampered easy peeler exports which dropped from 47 to 29 tmt. Sweetie shipments to Japan fell from 1.8 to 1.1 million boxes. Forecasts place MY 1999 sales at 1.4 million boxes. Forecast production in MY 1999 is 860 tmt of which 330 tmt are to be exported and 380 tmt processed.

Includes PSD changes: Yes
Includes Trade Matrix: No
Annual Report
Tel Aviv [IS1], IS

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Production

A look at Israel's recent citrus production levels shows that it has sunk to half the volumes produced in the seventies and eighties. MY 1999 production is forecast to return to the MY 1997 level of close to 900,000 mt.

Table 1. Summary of Citrus Production and Disposition: MY 97 – MY 99
Thousands of MT

Species	Year	Production	Export	Industry	Consumption
Oranges	1997	385	142	142	110
	1998	267	103	59	105
	1999	385	135	140	110
Grapefruit	1997	304	107	184	12
	1998	281	101	160	20
	1999	280	95	165	20
Peelers	1997	118	47	41	30
	1998	82	29	18	35
	1999	125	50	43	32
Lemons	1997	17	1	1	15
	1998	14	1	1	13
	1999	17	1	1	15
Sweeties	1997	46	27	18	1
	1998	44	20	23	1
	1999	55	21	33	1
Others*	1997	8	6	0	2
	1998	6	5	0	1
	1999	7	5	0	2
Total Citrus	1997	877	321	386	170
	1998	690	258	262	170
	1999	860	330	380	150

* Including: Limequat, Cumquat, Pummelo (white and red).

Source: CBS Statistical Abstracts, Foreign Trade Statistics Annuals

Agricultural Statistics Quarterly and unpublished worksheets.

PCBI, Citrus Growers Organization (CGO), MOA Committee report

Total planted citrus area continues to fall. From MY97 to MY98 it dropped an additional 4.5 percent. This trend is expected to continue: some key agricultural policy makers see Israel's citrus sector continuing to shrink to a level where it will supply domestic demand alone. The main reasons are continuing low profitability and competition for land from real estate investors who bid for prime citrus land near expanding urban centers. In addition, the country's continuing water scarcity will reduce its availability for agriculture and raise irrigation costs. Continuous restrictions on water supply can cause long term damage to orchards. A partial solution is provided by the new plantings in southern Israel, irrigated by less restricted recycled water. However, the southern soil and climate do not suit some varieties, mainly the Shamouti orange which is an important variety in Israel (27% of export), and some kinds of easy peelers. For both varieties an appropriate root stock has yet to be located. The shift of the bulk of citrus production to the south has progressed more slowly than planned, mainly due to what growers consider to be insufficient governmental assistance provided for replanting and water recycling systems. The unresolved agrotechnical problems already noted are another key factor.

Table 2: Citrus Planted Area - by Variety
-1,000 ha-

	MY	1999	MY	1998	1995
Variety	Bearing	Nonbearing	Bearing	Nonbearing	Total
Oranges	9.6	0.1	9.5	0.2	11.5
Grapefruit	5.7	0.4	7.2	0.4	9.0
Sweetie	2.0	0.3	1.5	0.6	1.0
Easy Peelers	4.8	0.4	4.6	0.5	5.4
Lemons	1.0	0.1	0.9	0.1	1.0
Others	1.2	0.2	1.1	0.2	2.6
Total	24.3	1.5	24.8	2.0	30.5

R&D

Major problems confronting Israeli R&D include:

1. The critical effect of the Naxines on marketing. If not resolved this can seriously damage the export of Shamouti and easy peelers.
2. Introduction of new and acceptable easy peeler varieties.
3. Locating new root stocks for Shamouti and easy peelers, suitable for the soils and climate of southern Israel.

Table 3. : Citrus Profitability in MY 98/99
(US\$ /packed MT)

Species	Yield/HA	Price needed	Price received
Shamouti	40	248	201
Valencia	38	347	170
WhiteGrapefruit	45	508	110
Red Grapefruit	46	249	130
Sweetie	45	235	147
Mineola	35	291	201

Consumption

The Domestic Market. Despite the decline in the total yield, domestic consumption remained stable: 170 tmt. 130,000 - 140,000 metric tons are marketed through the main distributors, while the remainder is marketed by individual producers, sometimes directly from the orchard to market. Per capita consumption of fresh citrus is considered high, presently standing at 27.5 kg per capita.

In the early nineties, local consumption of fresh citrus totaled 100 - 110 tmt. Immigration from the Former Soviet Union (FSU) increased the demand for fresh citrus, mainly oranges and easy peelers. In MY 2000, a significant share of domestic demand will be supplied by Palestinian citrus from the Gaza Strip due to the biblical fallow year which falls every seventh year. During this year observant Jews do not consume produce grown within the borders of the biblical Land of Israel.

Eventually, as the immigrants from the FSU fall into existing Israeli consumption patterns, consumption of fresh citrus can be expected to decline and replaced by processed products.

Recently, there has been a growing demand for "organic fruit". According to marketing sources, this is an expanding trend and may account for as much as 15 to 20 percent of future domestic demand.

Trade

Exports in MY98 were 22 percent lower than the previous year, and 25 percent lower than in MY 1996. Easy peeler exports, seriously affected by the Naxines dropped off by 43 percent. Sweetie sales, mainly to Japan, dropped by 27 percent due to the economic crisis in Asia. In MY 1997, 1.8 million boxes were shipped to Japan, falling to 1.1 million in 1998. Farm gate prices for Sweeties dropped from \$457/mt in 1997 to only \$255/mt in 1998. On the strength of a joint market development effort shared by the five Israeli exporters and the Japanese importers, the latter have undertaken to import 1.4 million boxes in 1999. According to CMBI officials, in the long term Japanese annual demand probably will not exceed 1.5 - 1.6 million boxes. Three hundred thousand cartons of Sweetie boxes were shipped to Europe in 1998. It will become a major target for Israel's citrus market development specialists.

The declining trend in European demand for white grapefruit appears to be tapering off. MY 1998 prices were 7 percent higher than in MY 1997.

Table 4.: Fresh Citrus Exports by Main Groups
(thousands of boxes)

	MY	MY	MY	Change-%	Change-%
Variety	1998	1997	1996	98/97	98/96
Oranges - Total	6,752	9,172	10,768	-26	-37
Shamouti	4,940	6,327	7,325	-22	-33
Valencia Lates	1,561	2,377	2,749	-34	-43
Navels, Trovita	251	468	694	-46	-64
Grapefruit Total	6,843	7,289	6,937	-6	-1
White	1,895	2,073	2,377	-9	-20
Red Blush	45	55	214	-18	-79
Sunrise	4,857	5,004	4,199	-3	+16
Ray Rubi	46	157	147	-71	-69
Sweetie	1,425	1,953	1,784	-27	-20
Peelers	2,218	3,877	3,605	-43	-38
Lemons	29	74	172	-61	-81
Others	741	841	795	-12	-7
Total Exports	18,008	23,206	24,061	-22	-25

Source: Citrus Marketing Board of Israel (CMBI)

The EU is still Israel's main citrus export market but its share is declining steadily as shipments to Central and Eastern Europe and to Japan grow. In these markets, a number of the advantages enjoyed by Spain and Morocco, Israel's main competitors in Western Europe, are minimal. Growers who are concerned about increased competition in traditional markets are pressing to develop new ones, mainly in nearer countries where Israel has shipping advantages. These include the neighboring markets of the Middle East and the Arabian Gulf. Efforts in that direction were begun as the Mid-East peace process gathered momentum. They petered out as the relations between Israel and its neighbors cooled off following Israel's elections in 1996. Exporters, with encouragement from CMBI are now renewing marketing efforts with those countries. Some of them willingly accept lower quality fruit for which there is no market in Western Europe.

Table 5.: Fresh Citrus Exports to the EU in MY1998**Metric Tons**

	Total	of which:	EU Share	EU Share
Variety		EU	98/99 - %	97/98 - %
Oranges	102,550	74,900	73	80
Grapefruit				
White	27,550	15,380	56	94
Red	73,630	44,680	61	77
Total	101,180	60,060	59	82
Sweetie	19,694	4,200	21	10
Peelers	29,400	19,378	66	70
Lemons	310	245	79	60
Others	4,510	2,706	60	63
Total	25 7,650 16	1,486	63 %	73 %

Source: Citrus Marketing Board of Israel (CMBI)

Policy

In response to a growing market for organic fruit the Ministry of Agriculture (MOA) extension service, together with the Growers Organization and the Citrus Marketing Board of Israel (CMBI), are assisting in development of organic citrus production and treatment. An organic production protocol has already been written and is now pending approval by the Ministry of Health and consumer organizations. CMBI is encouraging packaging houses to obtain "ISO 9000" status.

There are no significant changes in the government's policy towards citrus exports since the last report on citrus in May, 1999. Israel's phytosanitary regulations ban all commercial citrus imports. In recent years a pest risk assessment has been conducted for citrons (*Citrus medica*) from California. The assessment should be concluded in the first half of CY 2000, enabling California citron producers to satisfy the lion's share of the demand created by the important Feast of Tabernacles market. The citron plays an important role in the Feast of Tabernacles rituals. In the autumn of CY2000, the biblical seventh (or fallow) year begins. During the year, which extends from October 2000 through September 2001, observant Jews will not consume or use produce originating from field crops or plantations located within the historic boundaries of biblical Israel. This includes use - even for rituals - of citrons grown in the Land of Israel.

Marketing

Marketing of citrus from Israel, is handled by five licensed exporters, two of whom ship close to 70 percent of total exports. Sweetie exports to Japan are handled by a single entity, consisting of the five exporters. Exports generally are on consignment. Increased competition in European markets is the main problem for Israel's exporters. Suppliers from Spain, Morocco and Turkey take advantage of their proximity to the markets. Spain offers a large variety of easy peelers, while Israel mostly offers its traditional varieties: Shamouti, White Grapefruit, Sunrise and Valencia. Israel, once a leader in the European citrus market, now lags well behind. Israeli R&D failed to develop new varieties, primarily of the easy peelers group. Consumption of Shamouti, the oldest and best known Israeli variety, which still accounts for over 27 percent

of Israeli citrus exports, is declining. It has been replaced by modern easy peelers, mostly from Spain. Prospects for expanding Sweetie sales to Japan, did not materialize. Aside from the economic crisis, it is known now that the exporters did not prepare Japan for the large quantities shipped. This year, following last year's market failure, Japanese importers, together with Israeli exporters, are conducting a Sweetie promotion campaign. As a result, Japanese importers placed an order for 1.4 million boxes this season, 300 thousand boxes more than 1998 sales. Attempts in MY1998 to sell 300,000 boxes of Sweetie in Europe failed. Due to increased quantities of Sweeties expected in the near future, CMBI decided to invest in development of the European market. Since Europeans are more familiar with yellow or golden colored citrus, the exporters intend to ship ripened yellow fruit instead of the pale green type so popular in Japan.

Citrus Products

Processing Plants. During MY 1998 an additional plant was closed, leaving only three out of an original twelve processors. Israeli processing plants that have invested in R&D, have acquired knowledge and specialize in highly sophisticated consumer products. Total processing capacity of fresh fruit is nearly 400 tmt, which is very close to the available quantities from local suppliers. Israeli processors, sensing they have a larger market than local fresh production can enable them to satisfy, have begun acquiring or constructing plants in Spain, close to plentiful sources of supply, and in Rumania.. They will produce citrus concentrates and puree using Israeli knowhow. Reportedly most of it will be exported to Israel as raw material. Raw material, produced in Spain enables Israeli exporters free access to EU markets with reduced import duties. The Rumanian plant was built by the same processor who built the plant in Spain. It utilizes Israeli citrus concentrates, bases and comminutes for soft drink production. It's main markets are in Eastern Europe.

Prices

Farm gate prices paid by processors in MY1998 were as follows:

Shamouti Oranges - \$44/mt; Grapefruit (red and white) - \$45/mt; Valencia Lates - \$86/mt.

Table 6.: Israel: Citrus Product Exports in CY1998

Thousands of Dollars

Product	Concentrates			Segments	Juices			Misc. products
	Orange	Grapefruit	Other	Grapefruit	Orange	Grapefruit	Other	
U.S.	6	-	423	5,581	74	-	44	144
E.U.	3,995	1,039	548	11,202	25,541	18,426	1,054	314
Turkey	-	-	8	-	229	36	-	-
Sweden	-	22	-	38	13	40	-	-
FSU	-	-	128	22	1,881	638	88	-
Japan	-	290	-	585	-	602	-	-
S.E. Asia	71	-	15	-	1,352	213	347	-
Others	200	19	180	-	2,183	6,231	107	-
Total	4,272	1,370	1,302	1,7428	31,273	26,186	1,640	458

Source: CBS Foreign Trade Statistics Annuals

Table 7.: Israel: Citrus Products Imports in CY 1998

Thousand of Dollars

	Orange Juice		Grapefruit Juice		Citrus Juice	
Origin	Frozen	Other	Frozen	Other	Other	Total
EU	1,983		153	71	404	2,611
US and Canada	896		172			1,068
Argentina	504			1,716	27	2,247
Brazil	173					173
Other S. America	877	446		819		2,142
Turkey			84			84
South Africa	93	554	677			1,324
Others			325			325
Total	4,526	1,000	1,411	2,606	431	9,974

Source: CBS, Foreign Trade Statistics Annuals.

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Citrus

Fresh Citrus, Total

Global Economic Data Exchange System

Commodity: Fresh Citrus, Total (570000) (HA) (K TREES) (1000 MT)

Beg. Month/Year of Marketing	10/97		10/98		10/99	
Year:	Revised 97		Prelim 98		Forecast 99	
ISRAEL	Old	New	Old	New	Old	New
Area Planted	27100	27100	27500	26830	26500	25800
Area Harvested	23600	23600	23000	24850	24900	23400
Bearing Trees	0	0	0	0	0	0
Total No. of Trees	0	0	0	0	0	0
Production	895	877	809	690	872	860
Imports	0	0	0	0	0	0
TOTAL SUPPLY	895	877	809	690	872	860
Exports	330	321	346	258	330	330
Fresh Domestic Consumption	171	170	142	170	192	150
Industrial Domestic Consumption	394	386	321	262	350	380
Total Domestic Consumption	565	556	463	432	542	530
TOTAL DISTRIBUTION	895	877	809	690	872	860

Source: CBS Statistical Abstracts, Foreign Trade Statistics Annuals

Agricultural Statistics Quarterly and unpublished worksheets.

CMBI, Citrus Growers Organization (CGOI).

Report Code: IS 9015

Citrus

Fresh Citrus, Sweeti

Global Economic Data Exchange System

Commodity: Fresh Citrus, Total (572920) (HA) (K TREES) (1000 MT)

Beg. Month/Year of Marketing	10/97		10/98		10/99	
Year:						
Year:	Revised 97		Prelim 98		Forecast 99	
ISRAEL	Old	New	Old	New	Old	New
Area Planted	1500	1800	1700	2100	2100	2300
Area Harvested	1100	1200	1000	1500	1500	2000
Bearing Trees	0	0	0	0	0	0
Total No. of Trees	0	0	0	0	0	0
Production	40	46	38	44	50	55
Imports	0	0	0	0	0	0
TOTAL SUPPLY	40	46	38	44	50	55
Exports	24	27	23	20	30	21
Fresh Domestic Consumption	1	1	1	1	2	1
Industrial Domestic Consumption	15	18	14	23	18	33
Total Domestic Consumption	16	19	15	24	20	34
TOTAL DISTRIBUTION	40	46	38	44	50	55

Source: CBS Statistical Abstracts, Foreign Trade Statistics Annuals
Agricultural Statistics Quarterly and unpublished worksheets.
CMBI, Citrus Growers Organization (CGOI).